



To the Mayor and Members of the City Council

August 11, 2015

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SUBJECT: SUBMISSION OF 2015 EFFECTIVE AND ROLLBACK TAX RATES

This Informal Report has been prepared to inform the City Council of the 2015 Effective and Rollback Tax Rates for use in their upcoming budget discussions regarding the financial plan for Fiscal Year 2016. The Effective Tax Rate reflects the rate which would generate the same revenue as the prior year based solely on property that was taxable for both years. The Rollback Tax Rate serves as a cap on property tax rates, thus limiting taxing units' ability to make material increases over the prior year's rate.

Pursuant to Texas Property Tax Code Section 26.04.c, the Effective Tax Rate =

$$\frac{(\text{Last Year's Levy} - \text{Lost Property Levy})}{(\text{Current Total Value} - \text{New Property Value})}$$

Property tax rates are comprised of two separate rates, Maintenance & Operation (M&O) and Interest & Sinking (I&S). As its name implies, the M&O rate provides operating revenue for the General Fund while the I&S rate is receipted into the Debt Service Fund, providing resources to repay debt obligations.

The 2015 Effective Tax Rate is \$0.892253 / \$100 assessed valuation

The 2015 Rollback Tax Rate is \$0.932579 / \$100 assessed valuation

The 2014 Adopted Tax Rate is currently \$0.8550 / \$100 assessed valuation

If the City Council wants the option to adopt a tax rate that exceeds the effective rate of \$0.892253 / \$100 assessed valuation, it would need to adopt a resolution to consider a tax revenue increase and hold two public hearings on the tax revenue increase.

Staff has previously advised the City Council that it will be recommending re-adoption of the current tax rate of \$0.8550 / \$100 in connection with the Fiscal Year 2016 budget. Therefore, a resolution to consider a tax revenue increase will not be presented for the City Council's consideration at its August 11, 2015 meeting.

If the City Council adopts a **total** tax rate that exceeds the rollback rate, taxpayers may petition for a rollback election by gathering signatures from at least seven percent (7%) of the registered voters shown on the most recent official voter list. If the rollback election succeeds, the City would be forced to adopt the rollback rate.

This year, the City will **not** be subject to a rollback election unless it adopts a tax rate higher than \$0.932579 / \$100 assessed valuation.

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Pursuant to Section 140.010 of the Local Government Code notice of the proposed tax rate will be published in the newspaper on August 15, 2015, and additional information regarding the rollback and effective tax rates will be provided on request. The tax rate (M&O and I&S components combined) is scheduled to be adopted on September 15, 2015.

If you have any questions, please contact Aaron Bovos, Financial Services Management Director/CFO, at (817) 392-8517.

David Cooke
City Manager